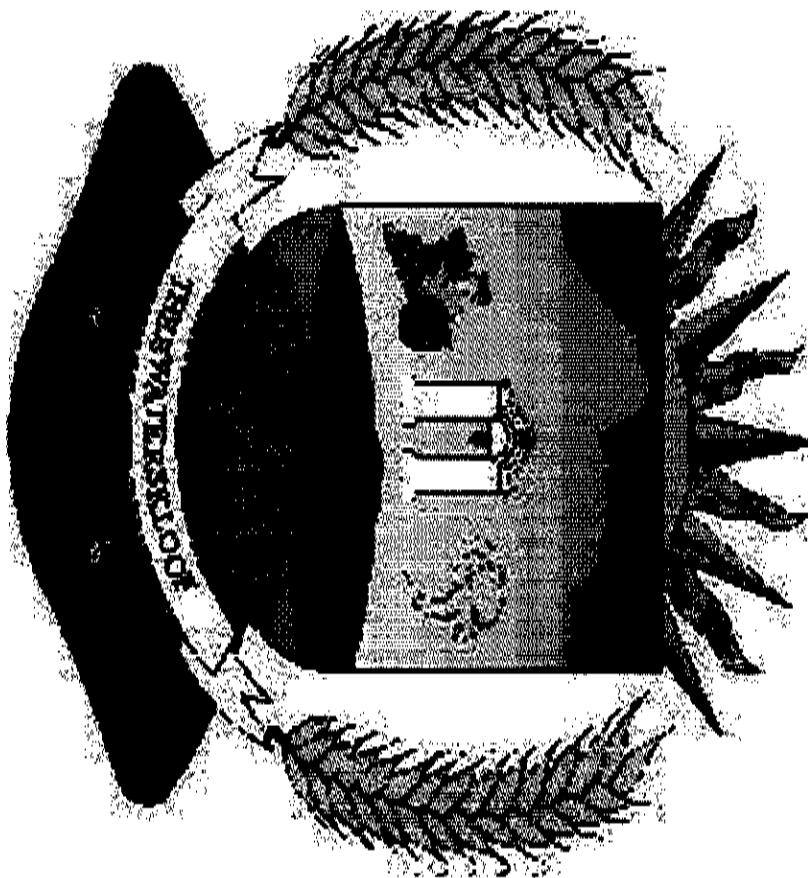


THEEWATERSKLOOF MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2012

THEEWATERSKLOOF MUNICIPALITY

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THEEWATERSKLOOF MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Theewaterskloof Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Theewaterskloof Municipality includes the following areas:

Caledon	Greyton
Grabouw	Grootvadersdal
Villiersdorp	Botrivier
Riversideend	Tesselaarsdal

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	Mr. C. Punt
Deputy Executive Mayor	Mrs. P.U. Stannet
Executive Councillor	Mr. N.H. De Wet
Executive Councillor	Mrs C.N. Booysen-Nel
Executive Councillor	Mr. G.E.M. Careesa
Executive Councillor	Mr. M. Tsitsikwa
Executive Councillor	Mr K. Papier
Executive Councillor	Mrs. C. Vosloo (Speaker)

MUNICIPAL MANAGER

Mr. H.S.O. Wallace

CHIEF FINANCIAL OFFICER

Mr. S.N. Jacobs

REGISTERED OFFICE

6 Plain Street, CALEDON, 7230

AUDITORS

Office of the Auditor General (WCA)

PRINCIPLE BANKERS

ABSA Bank, P.O. Box 145, Caledon, 7230

ATTORNEYS

Bosman & Smit
Fairbrothers Attorneys
Harold Gie Attorneys
J.A.J. Malherbe Incorporated
Johnson Kourie & Co
Cleughorn & Wehmeyer
Guthrie & Theron
Du Plessis & Mostert

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1996)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

THEEWATERSKLOOF MUNICIPALITY

MEMBERS OF THE THEEWATERSKLOOF MUNICIPALITY

WARD	COUNCILLOR
1	Mr. K.R. Tiemie
2	Mrs. M.L. Hector
3	Mr K Papier
4	Mrs M.M. Koegelenberg
5	Mr. N.H. De Wet
6	Mrs. J. Nellie
7	Mrs. P.U. Stanflet
8	Mrs. C.V. Thembani
9	Mr. N. Pieterse
10	Mrs. M. Plato
11	Mr M Mathews
12	Mr. U.T. Sipunzi
13	Mr. M Tshaka
	Mr. C Punt
	Mrs. C Vosloo
	Mr. G.E.M. Carelse
	Mr. C.D. November
	Mr. I.M. Sileku
	Mr. P. De Wet
	Mrs. F.V. Mankayi
	Mr J.P. Hendricks
	Mr. A.H.F. Cupido
	Mrs. S.R. Witbooi
	Mr. M.R. Nongxaza
	Mr J Swartz

APPROVAL OF FINANCIAL STATEMENTS

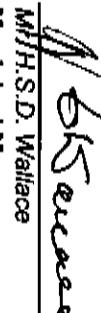
I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 77 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2012 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


M.H.S.D. Wallace
Municipal Manager

30 August 2012

Date

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

NET ASSETS AND LIABILITIES	Notes	2012 R	2011 R
Net Assets			
Revaluations Reserve	2	480 733 387	499 102 399
Social Contribution Reserve	2	11 422 657	11 158 466
Accumulated Surplus	2	55 278	39 200
Non-Current Liabilities			
Long-term liabilities	3	168 910 097	151 256 435
Employee benefits	4	32 265 034	28 519 104
Non-current provisions	5	23 898 119	22 608 530
Current Liabilities			
Consumer deposits	6	3 244 789	3 149 348
Current Employee benefits	7	13 421 103	11 270 845
Provisions	8	-	151 583
Payables from exchange transactions	9	24 369 773	21 570 773
Unspent conditional government grants and receipts	10	7 387 066	2 328 784
Unspent Public Contributions	11	167 235	85 632
Taxes	12.1	1 019 867	661 022
Operating lease liability	21.1	6 518 246	3 451
Current portion of long-term liabilities	3	<u>705 771 543</u>	<u>694 851 756</u>
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	452 578 034	404 114 707
Capitalised restoration costs	14	186 592	373 638
Investment property	15	206 047 260	235 582 830
Intangible assets	16	2 126 200	2 058 713
Long-term receivables	17	37 837	41 165
Current Assets			
Inventory	18	2 256 683	1 883 869
Receivables from exchange transactions	19	11 777 104	22 370 459
Receivables from non-exchange transactions	20	6 617 131	3 565 253
Unpaid conditional government grants and receipts	20	109 943	182 255
Operating lease asset	21.2	272 777	184 700
Taxes	12	2 343 654	1 866 392
Current portion of long-term receivables	17	4 601	4 241
Cash and cash equivalents	22	21 413 727	22 623 534
Total Assets		<u>705 771 543</u>	<u>694 851 756</u>

THE WATERSKLOOF MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

REVENUE				Correction of error		2011	
Notes	(Actual)	R	[Restated]	R	R	R	(Previously reported)
Revenue from Non-exchange Transactions	164 149 501		159 858 616	-	-	159 858 616	
Taxation Revenue	43 226 389		41 130 046	-	-	41 130 046	
Property Taxes	23		43 226 389	41 130 046	-	41 130 046	
Transfer Revenue			110 839 198	102 254 562	-	102 254 562	
Government Grants and Subsidies	24		110 270 199	101 395 347	-	101 395 347	
Public Contributions and Donations			568 999	859 235	-	859 235	
Other Revenue			10 083 915	15 473 988	-	15 473 988	
Third Party Payments			61 708	414 278	414 278		
Fines	27		2 941 835	3 627 434	3 627 434		
Fair Value Adjustments			7 080 372	11 432 276	11 432 276		
Revenue from Exchange Transactions			139 424 854	125 980 525	-	125 980 525	
Service Charges	25		121 180 002	108 733 355	-	108 733 355	
Rental of Facilities and Equipment			1 104 844	1 351 701	1 351 701		
Interest Earned - external investments			1 738 406	1 664 552	1 664 552		
Interest Earned - outstanding debtors			7 833 546	7 389 348	7 389 348		
Licences and Permits			2 926 316	2 612 474	2 612 474		
Agency Services	26		1 838 310	1 778 155	1 778 155		
Other Income			2 805 530	2 450 940	2 450 940		
Gain on disposal of Property, Plant and Equipment			-	-	-		
Total Revenue			303 574 155	284 839 141	-	284 839 141	
EXPENDITURE							
Employee related costs	28		108 915 385	96 475 594	96 475 594		
Remuneration of Councillors	29		7 167 744	6 022 360	6 022 360		
Debt Impairment	30		31 050 847	18 637 852	18 637 852		
Dpreciation and Amortisation	31		6 514 963	7 814 481	7 814 481		
Impairments	32		41 290 590	1 607 092	1 607 092		
Repairs and Maintenance			15 553 180	14 054 054	14 054 054		
Actuarial losses	4		423 426	4 910 343	4 910 343		
Finance Charges	33		13 867 438	10 934 109	10 934 109		
Bulk Purchases	34		41 474 597	34 790 079	34 790 079		
Contracted services	35		11 307 937	9 949 008	9 949 008		
Grants and Subsidies			638 395	427 760	427 760		
Operating Grant Expenditure	36		15 360 442	27 559 606	27 559 606		
General Expenses	37		26 425 297	23 988 853	23 988 853		
Loss on disposal of Property, Plant and Equipment			247 037	788 977	788 977		
Total Expenditure			322 207 358	257 950 168	257 950 168		
NET SURPLUS/(DEFICIT) FOR THE YEAR			(19 653 203)	(26 888 973)	(840 563)	27 529 536	

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	R	R	R	R	R	R	Capital Revaluations Reserve	Replacement Reserve	Social Contribution Reserve	Accumulated Surplus/ (Deficit)	Total
Balance at 30 JUNE 2010	7 913 567	-	-	30 650	459 266 318	467 210 535					
Correction of error - Note - 3B	-	-	-	-	1 757 992	1 757 992					
Restated balance at 1 JULY 2010	7 913 567	-	-	30 650	461 024 310	468 968 527					
Net Surplus for the year	-	-	-	-	26 888 973	26 888 973					
Revaluation of PPE	3 244 898	-	-	-	-	3 244 898					
Transfer to Social contribution Reserve	-	-	8 550	-	(8 550)	-					
Balance at 30 JUNE 2011	11 158 466	-	-	39 200	487 904 733	489 102 399					
Net Deficit for the year	-	-	-	-	(18 633 203)	(18 633 203)					
Revaluation of PPE	264 191	-	-	-	-	264 191					
Transfer to Social contribution Reserve	-	-	16 078	-	(16 078)	-					
Balance at 30 JUNE 2012	11 422 657	-	-	55 278	469 255 452	480 733 387					

THEEWATERSKLOOF MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	30 JUNE 2012 R	30 JUNE 2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other (Restated 2011)		171 110 190	160 996 550
Government grants (Restated 2011)		115 400 792	96 422 786
Interest		9 571 652	9 053 900
Payments			
Suppliers and employees		(235 202 873)	(221 553 822)
Finance charges		(13 857 438)	(10 934 109)
Transfers and Grants		(638 395)	(427 760)
Cash generated by operations	40	46 383 928	33 557 545
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		13	(64 897 856)
Purchase of Investment property			(44 623 013)
Proceeds on Disposal of Fixed Assets		3 689 320	3 577 514
Purchase of Intangible Assets		(348 493)	(46 549)
Decrease in Long-term Receivables		2 969	4 695
Net Cash from Investing Activities	16	{61 554 060}	(41 087 353)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(7 520 217)	(3 911 222)
New Loans raised		21 385 121	26 495 960
Increase in Consumer Deposits		95 421	206 852
Net Cash from Financing Activities	17	13 960 325	22 791 590
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1 209 807)	15 261 783
Cash and Cash Equivalents at the beginning of the year			
Cash and Cash Equivalents at the end of the year	41	22 623 534	7 361 751
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1 209 807)	15 261 783

THEEWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMAct) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

THE EWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information complies with the formats contained in the Municipal Budget and Reporting Regulations.

THEEWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality: Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	Consolidated and Separate Financial Statements The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.	Unknown
GRAP 7 (Revised – Mar 2012)	Investments in Associate This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.	1 April 2013
GRAP 8 (Revised – Nov 2010)	Interest in Joint Ventures The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.	Unknown

THEEWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GRAP 18 (Original – Feb 2011)	Segment Reporting The objective of this Standard is to establish principles for reporting financial information by segments.	Unknown
GRAP 24 (Original – Nov 2007)	Presentation of Budget Information in Financial Statements Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.	1 April 2012
GRAP 103 (Original – July 2008)	Heritage Assets The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements. No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.	1 April 2012
GRAP 105 (Original – Nov 2010)	Transfer of Functions Between Entities Under Common Control The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

THEEWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GRAP 106 (Original – Nov 2010)	Transfer of Functions Between Entities Not Under Common Control The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.	Unknown
GRAP 107 (Original – Nov 2010)	Mergers The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
IGRAP 12	Jointly Controlled Entities non-monetary contributions The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.8.2 Social Contribution Reserve

The municipality's approach to ensuring Social upliftment is underpinned by the view of achieving realistic balance between meeting the development needs of our communities while simultaneously ensuring that the particular project makes financially viable sense for the Municipality, i.e. deriving value for our business.

In this context, the primary objectives of this policy are to:

- Ascribe relevant and notable contributions to Development and Construction companies to the social development agenda related solely to initiatives targeted for the previously disadvantaged communities. This can include, but is not limited to education programs, community programs, job creation initiatives, Health programs, conservation, community tourism initiatives and marketing initiatives to develop the local black tourist market.
- Nurture a reputation amongst our stakeholders (businesses) for being compassionate organizations playing its part in the upliftment of the poorest of the poor within our Municipal jurisdiction.

1.8.3 *Revaluations Reserve*

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.9. LEASES

1.9.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of

THE EWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.12 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;

- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised.

1.14. EMPLOYEE BENEFITS

(a) Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial

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Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(e) Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(f) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.15. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.16.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.16.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	<u>Years</u>		<u>Years</u>
<u>Infrastructure</u>			
Roads and Stormwater	5 - 150	Buildings	20 - 100
Refuse	20 - 50	Specialist vehicles	10 - 35
Electricity	10 - 100	Other vehicles	5 - 30
Water	10 - 200	Office equipment	3 - 15
Sewerage	10 - 200	Furniture and fittings	5-20
Housing	20 - 100	Watercraft	15 - 30
		Bins and containers	5 - 15
<u>Community</u>			
Buildings	20 - 100	Specialised plant and equipment	5 - 35
Recreational Facilities	20-30	Other plant and equipment	
Security	5 - 15	Landfill sites	2 - 25
Halls	20-30	Quarries	20 - 100
Libraries	20-30	Emergency equipment	5 - 25
Parks and gardens	15-20	Computer equipment	3 - 15
Other assets	15-30		
<u>Finance lease assets</u>			
Office equipment	3 - 15		
Other assets	5 - 15		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.16.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. INTANGIBLE ASSETS

1.17.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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1.17.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5 - 10

1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.18.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or refinement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19. NON-CURRENT ASSETS HELD FOR SALE

1.19.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.19.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of

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the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- **service unit approach** - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.21. NON CURRENT INVESTMENTS

Financial instruments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.22. INVENTORIES

1.22.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or

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produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.22.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables from exchange transactions, cash and cash equivalents, annuity loans and payables. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.23.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2 Payables and Annuity Loans

Financial liabilities consist of Landfill sites provisions, payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

1.23.3 De-recognition of Financial Instruments

1.23.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.24. REVENUE

1.24.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses.

Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, it is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property.

Service charges from sewerage are based on a basic charge as per Council resolution.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the requirements of GRAP 1 as well as the formats contained in the Municipal Budget and Reporting Regulations. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard will bring new rules in respect of presentation of budget information.

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based

on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.243.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.234.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salaries compared to the basic salaries as per the new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

Provision for Staff Leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2014 R
NET ASSET RESERVES		
Revaluations Reserve	11 422 657	11 159 466
Social Contributions Reserve	55 278	39 200
Total Net Asset Reserves	11 477 935	11 197 666

3 LONG-TERM LIABILITIES

Annuity Loans - At amortised cost	102 144 132	85 496 693
Capitalised Lease Liability - At amortised cost	98 087	48 289
Stock Warrants	17 022 571	19 865 299
Current Portion transferred to Current Liabilities		
Annuity Loans - At amortised cost	119 265 190	105 400 285
Capitalised Lease Liability - At amortised cost	(5 518 246)	(5 271 484)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	(8 506 297)	(5 223 195)
	(11 949)	(48 289)
	112 745 344	100 128 801

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

Minimum annuity payments

	17 054 300	13 589 583
61 409 629	61 409 629	50 845 314
116 236 596	116 236 596	106 890 791
194 700 525	171 125 888	
(92 556 393)	(92 556 393)	(85 638 989)
102 144 132	85 496 693	

Annuity loans at amortised cost is calculated at 9.46% - 16.5% interest rate, with first maturity date of 30 June 2013 and last maturity date of 31 December 2030.

The obligations under finance leases are scheduled below:

Minimum lease payments

	113 980	49 883
188 467	188 467	171 125 888
303 148	49 883	
(205 061)	(205 061)	(160 913)
98 987	48 289	

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest Rate	Annual Escalation	Lease Term	Maturity Date
DFA Solutions	Bizhub Copiers Laptop computers	12.25% 9%	0% 0%	3 Years 3 Years	30/06/2012 28/02/2015

Leases are secured by property, plant and equipment, which consist of photo copier machines and laptop computers - Note 13

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Remuneration of the Director Financial Services - SN Jacobs		
Annual Remuneration	940 471	881 409
Car Allowance	90 000	90 000
Performance Bonuses	133 861	-
Total	1 164 432	971 409
Remuneration of the Director Operational Services - J Barnard		
Annual Remuneration	688 790	645 552
Car Allowance	62 428	62 428
Contributions to UIF, Medical and Pension Funds	138 367	130 618
Performance Bonuses	106 750	-
Total	996 336	838 599

29 REMUNERATION OF COUNCILLORS

Mayor	622 270	600 710
Deputy Mayor	504 724	484 157
Speaker	504 568	484 157
Mayoral Committee Members	2 197 017	1 365 080
Councillors	3 339 165	3 088 277
Total Councillors' Remuneration	7 167 744	6 022 351
In-kind Benefits		

The Executive Mayor, Deputy Executive Mayor, Speaker and three mayoral committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the Framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister in Provincial and Local Government's determination, in accordance with this Act.

H S D Wallace
H S D Wallace
Municipal Manager

30 DEBT IMPAIRMENT

Receivables from exchange and non-exchange transactions - Note 20	31 030 847	18 207 628
Cash and Cash Equivalents - Note 22	430 224	-
Total Contribution to Debt Impairment	31 460 847	18 637 852

31 DEPRECIATION AND AMORTISATION

Property Plant and Equipment (Revised 2011)	8 047 621	7 299 210
Capitalised restoration costs	195 335	231 331
Intangible Assets	281 007	273 940
	8 524 963	7 804 481

32 IMPAIRMENTS

Property Plant & Equipment	8 364 529	294 344
Capitalised restoration costs	711	59 988
Investment Property	32 925 350	1 252 750
	41 290 590	1 607 082

33 FINANCE CHARGES

Long-term Liabilities	12 719 432	9 456 733
Pension Fund Arrears	1 138 006	1 031 991
Non-current provisions	1 373 985	-
Total finance charges	13 837 438	10 934 109

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
EMPLOYEE BENEFITS (CONTINUE)		
Post Retirement Benefits		
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	154	146
In-service (employee) non-members	420	447
Continuation members (e.g. Retirees, widows, orphans)	31	29
Total Members	<u><u>605</u></u>	<u><u>622</u></u>
The liability in respect of past service has been estimated to be as follows:		
In-service members	18 503 387	14 414 000
Continuation members	13 176 239	12 100 500
Total Liability	<u><u>29 679 626</u></u>	<u><u>26 514 500</u></u>
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
Members	2010 R	2009 R
	19 691 820	17 762 374
	<u><u>19 691 820</u></u>	<u><u>17 762 374</u></u>
	2008 R	2008 R
	14 781 876	14 781 876
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
Bonitas;		
LA Health		
Sammunend; and		
KeyHealth.		
Key actuarial assumptions used:		
I) Rate of interest		
Discount rate	2012 %	2011 %
Health Care Cost Inflation Rate	7.92%	8.65%
Net Effective Discount Rate	6.94% 0.92%	7.33% 1.24%
II) Mortality rates		
The FA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
III) Normal retirement age		
It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fixed obligations	2012 R	2011 R
	29 679 626	26 514 500
Net Liability	<u><u>29 679 626</u></u>	<u><u>26 514 500</u></u>

EMPLOYEE BENEFITS (CONTINUE)

4.1

Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	154	146
In-service (employee) non-members	420	447
Continuation members (e.g. Retirees, widows, orphans)	31	29
Total Members	<u><u>605</u></u>	<u><u>622</u></u>

The liability in respect of past service has been estimated to be as follows:

In-service members	18 503 387	14 414 000
Continuation members	13 176 239	12 100 500
Total Liability	<u><u>29 679 626</u></u>	<u><u>26 514 500</u></u>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

Members	2010 R	2009 R	2008 R
	19 691 820	17 762 374	14 781 876
	<u><u>19 691 820</u></u>	<u><u>17 762 374</u></u>	<u><u>14 781 876</u></u>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;

LA Health

Sammunend; and

KeyHealth.

Key actuarial assumptions used:

I) Rate of interest

Discount rate	2012 %	2011 %
Health Care Cost Inflation Rate	7.92%	8.65%
Net Effective Discount Rate	6.94% 0.92%	7.33% 1.24%

II) Mortality rates

The FA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

III) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fixed obligations

2012 R	2011 R
29 679 626	26 514 500

Net Liability

2012 R	2011 R
<u><u>29 679 626</u></u>	<u><u>26 514 500</u></u>

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

EMPLOYEE BENEFITS (CONTINUE)

4

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

Total Liability	2010 R	2009 R	2008 R
2 654 371	2 306 200	1 868 134	

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	3 252 067	2 654 371	
Total expenses	384 433	410 559	
Current service cost	468 887	407 235	
Interest Cost	242 855	232 191	
Benefits Paid	(328 309)	(228 867)	
Actuarial loss	253 656	187 137	
Present value of fund obligation at the end of the year	3 890 156	3 252 067	
Laws. Transfer of Current Portion - Note 7	(369 252)	(354 783)	
Balance 30 June	3 520 904	2 897 284	

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions	3 890	3 890	
General salary inflation	1%	4 202	8%
General salary inflation	-1%	3 612	-7%
Average retirement age	-2 yrs	3 318	-15%
Average retirement age	2 yrs	4 398	13%
Withdrawal rates	-50%	4 988	28%

4.3 Retirement funds

CAPE JOINT PENSION FUND

4.3

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a feasible estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 98.10% (30 June 2010 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2011 financial year.

CAPE-JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in an sound financial position with a funding level of 98.10% (30 June 2010 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2011 financial year.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

DEFINED CONTRIBUTION FUNDS

Council contributes to the Municipal Council Pension Fund, SALA Pension Fund and SANRAL National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

NON-CURRENT PROVISIONS

	2012 R	2011 R
Provision for Rehabilitation of Landfill sites	23 898 119	22 608 530
Total Non-current Provisions	<u>23 898 119</u>	<u>22 608 530</u>

Landfill Sites

Balance 1 July	22 760 113	21 386 128
Contribution for the year	1 138 006	1 373 985
Total provision 30 June	<u>23 898 119</u>	<u>22 760 113</u>
<u>Less:</u> Transfer of Current Portion to Current Provisions - Note 8	<u>(151 583)</u>	
Balance 30 June	<u>23 898 119</u>	<u>22 608 530</u>

The municipality did not, as yet, rehabilitate any of its Landfill sites which are full, neither budgeted for the outflows in the Medium Term Revenue and Expenditure Framework.

CONSUMER DEPOSITS

Water & Electricity	3 244 769	3 149 348
Total Consumer Deposits	<u>3 244 769</u>	<u>3 149 348</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>266 050</u>	<u>266 050</u>

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4	935 496	892 660
Current Portion of Long Service Provisions - Note 4	369 252	354 793
Staff Leave	10 482 871	7 295 790
Performance Bonuses	579 733	677 399
Compensation for injuries on duty contribution	810 366	1 082 385
Pension fund shortfall	-	749 717
Pension	128 604	128 604
Group Insurance	114 781	89 487
Total Current Employee Benefits	13 421 103	11 270 845

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The movement in current employee benefits are reconciled as follows:

	2012 R	2011 R
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Staff Leave

Balance at beginning of year	7 295 790	6 931 105
Contribution to current portion	3 743 862	1 777 747
Expenditure incurred	(556 781)	(513 062)
Balance at end of year	<u>10 482 871</u>	<u>7 295 790</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be released as employees take leave. There is no possibility of reimbursement.

Performance Bonuses

Balance at beginning of year	677 399	654 256
Contribution to current portion	579 733	677 398
Expenditure incurred	(677 399)	(654 256)
Balance at end of year	<u>579 733</u>	<u>677 399</u>

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Compensation for injuries on duty contribution

Balance at beginning of year	1 062 385	493 863
Contribution to current portion	1 921 203	588 502
Expenditure incurred	(2 200 222)	-
Balance at end of year	<u>810 366</u>	<u>1 082 385</u>

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. There is no possibility of reimbursement.

Pension Fund shortfall

Balance at beginning of year	749 717	646 326
Expenditure incurred	(749 717)	-
Interest on arrear account	103 391	-
Balance at end of year	<u>-</u>	<u>749 717</u>

The Cape Joint Pension Fund's rules determine that the employer must contribute any shortfall if investment revenue does not realise 5%. The fund indicated that the municipality's share of the shortfall must be paid within 1 financial year.

Pension

Balance at beginning of year	128 604	48 478
Contribution to current portion	80 128	80 128
Balance at end of year	<u>128 604</u>	<u>128 604</u>

Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.

Group Insurance

Fair Value at beginning of year	89 487	70 932
Fair Value adjustment during the year	25 254	18 555
Fair value at end of year	<u>114 781</u>	<u>89 487</u>

Shares accruing and to be apportioned to staff contributing to the Sanlam Group insurance scheme. The timing of the payment is uncertain. The possibility of reimbursement is being investigated.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Task implementation	2012 R	2011 R
Balance at beginning of year	-	725 308 (725 308)
Expenditure incurred	-	-
Balance at end of year	-	-

An agreement was reached on the implementation of a national salary grading structure with backpay paid in the 2011/2011 financial year for 9 months of the 2009/2010 financial year. There is no possibility of reimbursement.

8 PROMSIONS

Current Portion of Rehabilitation of Landfill sites - Note 4	151 583
Total Provisions	151 583

9 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	13 987 558	10 774 673
Interest Accrued	1 939 215	974 687
Payments received in advance	2 018 944	2 532 572
Retentions	5 698 589	5 483 602
Sundry Deposits	709 628	586 903
Land Sales Deposits	16 839	1 206 336
Total Trade Payables	24 359 773	21 570 773

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the NFMIA. Payables are being recognised net of any discounts. The municipality did not default on any of its obligations.

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include Hall, Bulkiers and Housing Deposits.

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	7 387 066	2 328 704
National Government Grants	4 836 471	1 920 130
Provincial Government Grants	2 183 622	253 344
Other Grant Providers	366 973	155 309
Less: Unpaid Grants	109 943	182 285
National Government Grants	109 943	-
Provincial Government Grants	-	182 285
Total Conditional Grants and Receipts	7 277 123	2 146 528

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

11 UNSPENT PUBLIC CONTRIBUTIONS

HAN	167 235	85 632
Total Unspent Public Contributions	167 235	85 632
Reconciliation of public contributions		
HAN		
Opening balance	85 632	944 866
Contributions received	650 602	(859 235)
Conditions met - Transferred to revenue	(588 999)	85 632
Closing balance	167 235	85 632

Upliftment of previously disadvantaged communities

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
12 TAXES		
12.1 VAT PAYABLE		
VAT Payable		
Less: Contribution to provision for impairment of trade receivables from exchange transactions	9 529 768 (8 509 901)	10 559 794 (9 898 772)
Total VAT payable	<u>1 019 867</u>	<u>661 022</u>
12.2 VAT RECEIVABLE		
VAT Receivable		
Trade VAT receivable	2 343 654	1 866 382
NET VAT RECEIVABLE(PAYABLE)	<u>1 323 787</u>	<u>1 205 310</u>
VAT is receivable/payable on the cash basis.		

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

	Cost						Accumulated Depreciation Charges and Impairment Losses						Carrying Value	
	Opening Balance R	Additions R	Revaluations R	Impairments R	Disposals R	Closing Balance R	Opening Balance R	Correction of error	Additions R	Correction of error	Revaluation Reversed R	Disposals R	Closing Balance R	R
Land and Buildings	106 735 100	8 052 064	799 015	9 495 179	-	105 091 000	-	-	595 826	-	(595 826)	-	-	105 091 000
Land	48 068 800	6 821 355	899 900	7 987 355	-	47 802 700	-	-	-	-	-	-	-	47 802 700
Buildings	57 666 300	1 230 709	(100 885)	1 507 824	-	57 288 300	-	-	595 826	-	(595 826)	-	-	57 288 300
Infrastructure	328 600 021	53 928 650	-	-	-	382 528 671	66 297 200	-	5 421 577	-	-	-	-	71 718 777
Roads and Storm water	99 809 316	4 309 453	-	-	-	104 118 769	29 362 275	-	2 167 027	-	-	-	-	72 589 467
Electricity Network	31 940 789	5 995 528	-	-	-	37 936 317	6 904 254	-	570 776	-	-	-	-	30 461 287
Sewerage Network	75 636 905	15 011 611	-	-	-	90 648 516	12 200 597	-	1 076 123	-	-	-	-	77 571 796
Water Network	102 341 962	10 622 733	-	-	-	112 964 696	17 404 521	-	1 502 318	-	-	-	-	94 057 855
Refuse Removal	383 832	807 781	-	-	-	1 191 613	187 241	-	15 895	-	-	-	-	1 016 477
Housing	18 487 217	17 181 544	-	-	-	35 668 761	288 312	-	89 438	-	-	-	-	35 311 010
Community Assets	10 869 988	-	-	-	-	10 869 988	5 584 024	-	482 180	-	-	-	-	6 036 174
Recreation Grounds	3 579 935	-	-	-	-	3 579 935	1 288 652	-	178 364	-	-	-	-	2 111 918
Community Halls	839 927	-	-	-	-	839 927	429 990	-	28 066	-	-	-	-	581 882
Libraries	3 894 000	-	-	-	-	3 894 000	2 466 046	-	130 073	-	-	-	-	2 586 119
Parks & Gardens	1 753 024	-	-	-	-	1 753 024	1 092 591	-	87 831	-	-	-	-	1 180 422
Cemeteries	803 102	-	-	-	-	803 102	306 745	-	26 826	-	-	-	-	333 571
Lease Assets	506 891	100 000	-	-	267 891	339 000	147 051	-	44 911	-	53 539	138 423	200 077	
Office Equipment	506 891	100 000	-	-	267 891	339 000	147 051	-	44 911	-	53 539	138 423	200 077	
Other Assets	36 941 718	2 817 142	-	-	80 488	39 670 372	6 510 736	-	1 533 157	-	8 270	6 036 623	31 642 749	
Vehicles	4 254 544	55 614	-	-	80 488	4 229 670	508 238	-	96 193	-	8 270	596 180	3 633 510	
Tools & Equipment	2 577 726	707 361	-	-	-	3 285 087	464 879	-	279 923	-	-	-	-	744 802
Furniture	1 148 630	38 897	-	-	-	1 167 427	288 227	-	64 784	-	-	-	-	352 982
Equipment	2 602 774	280 222	-	-	-	2 882 996	831 729	-	243 738	-	-	-	-	834 445
Special Vehicles	21 841 048	1 053 573	-	-	-	22 894 621	3 258 787	-	471 656	-	-	-	-	1 075 466
Tables	339 075	32 757	-	-	-	371 832	97 843	-	20 189	-	-	-	-	3 730 443
Chairs	649 628	28 737	-	-	-	676 285	132 394	-	38 369	-	-	-	-	19 184 177
Office Equipment	1 454 255	106 607	-	-	-	1 560 862	431 196	-	127 701	-	-	-	-	170 763
Computer Hardware	1 905 729	513 374	-	-	-	2 419 103	494 569	-	179 378	-	-	-	-	507 502
Other	168 510	-	-	-	-	168 510	2 874	-	11 257	-	-	-	-	14 131
	482 653 718	64 897 856	799 015	9 495 179	348 379	638 807 031	78 639 011	-	8 047 621	-	(595 826)	61 809	85 928 997	452 578 034

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30 JUNE 2011

Reconciliation of Carrying Value

(Restated 2011)	Cost						Accumulated Depreciation Charges and Impairment Losses						Carrying Value	
	Opening Balance R	Additions R	Revaluations	Impairment and Disposals R	Residual Value Disposals R	Closing Balance R	Opening Balance R	Correction of error	Additions R	Correction of error	Revaluation Reverse R	Disposals R	Closing Balance R	R
Land and Buildings	103 107 468	270 572	2 651 414	284 344	-	105 735 100	-	-	593 485	-	(593 485)	-	-	105 735 100
Land	45 609 468	-	2 570 832	11 500	-	48 068 800	-	-	-	-	-	-	-	48 068 800
Buildings	57 507 000	270 572	80 582	282 844	-	57 686 300	-	-	593 485	-	(593 485)	-	-	57 686 300
Infrastructure	287 222 753	41 377 267	-	-	-	328 600 021	60 961 656	376 009	4 087 862	900 993	-	-	66 297 200	262 302 820
Roads and Storm water	90 629 860	9 179 456	-	-	-	99 809 316	27 345 041	20 666	1 769 869	226 699	-	-	29 362 275	70 447 041
Electricity Network	28 421 248	3 519 541	-	-	-	31 940 789	6 333 244	8 814	383 346	178 849	-	-	6 904 254	25 036 536
Sewerage Network	70 696 076	4 940 829	-	-	-	75 636 905	11 107 418	132 556	819 296	141 328	-	-	12 200 597	63 436 308
Water Network	88 207 014	14 134 948	-	-	-	102 341 962	15 855 688	214 651	980 062	354 120	-	-	17 404 521	84 937 440
Refuse Removal	383 832	-	-	-	-	383 832	141 390	-	-	15 852	-	-	157 241	226 691
Housing	8 884 724	9 602 493	-	-	-	18 487 217	178 875	-	89 437	-	-	-	268 312	18 218 904
Community Assets	10 166 968	683 020	-	-	-	10 869 988	5 069 794	87 442	401 628	16 153	-	-	5 584 024	5 285 964
Recreation Grounds	2 894 915	683 020	-	-	-	3 579 035	1 047 105	96 800	130 226	14 521	-	-	1 268 652	2 291 282
Community Halls	839 927	-	-	-	-	839 927	402 010	-	27 980	-	-	-	428 990	409 938
Libraries	3 894 000	-	-	-	-	3 894 000	2 336 329	-	129 717	-	-	-	2 468 046	1 427 854
Parks & Gardens	1 753 024	-	-	-	-	1 753 024	1 004 336	642	86 949	642	-	-	1 092 591	680 434
Cemeteries	803 102	-	-	-	-	803 102	279 992	-	26 763	-	-	-	306 745	496 357
Leased Assets	1 784 991	-	-	-	1 278 100	506 891	584 608	17 797	15 971	17 797	-	489 123	147 051	359 840
Office Equipment	1 784 991	-	-	-	1 278 100	506 891	584 608	17 797	15 971	17 797	-	489 123	147 051	359 840
Other Assets	34 649 564	2 292 154	-	-	-	36 941 718	7 239 345	(2 024 920)	1 589 701	-293 390	-	-	6 510 736	30 430 961
Vehicles	4 149 488	105 056	-	-	-	4 254 544	871 141	(487 649)	202 579	(107 834)	-	-	508 238	3 746 307
Tools & Equipment	1 897 451	680 275	-	-	-	2 577 728	225 408	54 946	169 023	15 501	-	-	464 879	2 112 846
Furniture	1 019 670	128 859	-	-	-	1 148 530	225 240	6 511	53 208	3 271	-	-	268 227	860 302
Equipment	2 160 096	442 679	-	-	-	2 602 774	641 241	4 856	180 776	4 856	-	-	831 729	1 771 046
Special Vehicles	21 721 466	119 581	-	-	-	21 841 048	4 471 807	(1 683 661)	703 506	(232 845)	-	-	3 258 787	18 582 261
Tables	288 539	59 536	-	-	-	339 075	81 402	-	389	16 052	-	-	97 843	241 232
Chairs	547 858	101 670	-	-	-	649 528	98 113	6 192	28 919	2 170	-	-	132 394	517 134
Office Equipment	1 270 047	184 208	-	-	-	1 454 235	294 640	20 309	101 611	14 737	-	-	431 196	1 023 056
Computer Hardware	1 584 949	310 780	-	-	-	1 905 729	333 462	23 207	131 156	6 754	-	-	494 569	1 411 159
	436 951 735	44 623 013	2 651 414	284 344	1 278 100	482 653 718	73 855 403	(1 532 992)	6 656 644	640 563	(593 485)	489 123	78 639 011	404 114 707

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets pledged as security:

No property, plant and equipment, save for those financed from finance leases, are pledged as security for finance.

Third party payments received for leases incurred:

	2012 R	2011 R
Payments received (Excluding VAT)	51 708	414 278
Surplus/(Deficit)	51 708	414 278

Impairment of property plant and equipment for the year

	9 495 179	294 344
Land and Buildings	9 495 179	294 344

The current economic climate with resultant declining property values is the main reason for impairment charges. Fair value of Land and Buildings was determined by a registered Valuator - Mr De Kock.

Changes in accounting estimates

Useful lives were reviewed but since all useful lives were allocated during the comparative year no adjustment was necessary to any useful lives. Residual values were allocated but treated as a correction of error since it was not allocated during the implementation of Directive 4 in the comparative year.

14 CAPITALISED RESTORATION COST

Net Carrying amount at 1 July	373 638	683 424
Cost	3 432 613	3 432 613
Accumulated Depreciation	(2 980 580)	(2 749 189)
Accumulated Impairments	(78 455)	(18 457)
Depreciation for the year	(188 335)	(231 331)
Impairment for the year	(711)	(59 988)
Net Carrying amount at 30 June	186 992	373 638
Cost	3 432 613	3 432 613
Accumulated Depreciation	(3 166 955)	(2 980 520)
Accumulated Impairments	(79 186)	(78 455)

15 INVESTMENT PROPERTY

Net Carrying amount at 1 July	235 582 830	228 982 273
Cost - Balance previously reported	235 582 830	228 957 273
Correction of error - Note 38.01	-	225 000
Disposals	(13 689 520)	(13 577 514)
Fair Value Adjustments - Impairment	(32 925 350)	(1 252 750)
Revaluation increase	7 079 100	11 430 821
Net Carrying amount at 30 June	206 047 260	235 582 830
Cost	206 047 260	235 582 830

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Revenue derived from the rental of investment property

1 112 928	1 107 076
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Operating expenditure incurred on properties

5 772 020	8 529 299
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THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16 INTANGIBLE ASSETS

	2012 R	2011 R
Computer Software		
Net Carrying amount at 1 July	2 059 713	2 286 104
Cost	2 770 652	2 724 103
Accumulated Amortisation	(711 939)	(437 589)
Additions	348 493	46 549
Amortisation	(281 007)	(273 940)
Net Carrying amount at 30 June	2 126 200	2 058 713
Cost	3 119 145	2 770 652
Accumulated Amortisation	(892 946)	(711 939)

The following material intangible assets are included in the carrying value above:

Description	Remaining Amortisation Period	Carrying Value	
		2012 R	2011 R
Computer software	9 years	2 126 200	2 058 713

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

17 LONG-TERM RECEIVABLES

Officials' Housing Loans - At amortised cost	48 173	52 414
Less: Unamortised Discount on Loans	(5 735)	(7 098)
Balance 1 July	(7 008)	(8 463)
Adjustment for the period	1 272	1 455
Less: Current portion transferred to current receivables	42 438	45 406
Officials' Housing Loans - At amortised cost	(4 601)	(4 241)
Total Long Term Receivables	37 837	41 165

HOUSING LOANS

Housing loans are not granted to officials of the municipality. The outstanding amount relates to prior years and is still collectable. Staff were entitled to housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years. These loans are repayable up to the year 2020.

All remaining amounts are collectable.

INVENTORY

Maintenance Materials - At cost	1 988 866	1 614 179
Water - At cost	267 817	289 890
Total Inventory	2 256 683	1 893 069

A reconciliation of water losses is included in Note 45.4.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19	2012 R	2011 R
RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	6 029 561	5 994 270
Water	35 195 712	29 821 845
RentsB	25 931 432	21 413 706
Severage	23 995 942	21 098 828
Other	7 060 826	10 940 902
Total Receivables from Exchange Transactions	98 233 272	83 269 532
Less: Allowance for Doubtful Debts	(86 456 166)	(68 399 063)
Total Net Receivables from Exchange Transactions	11 777 104	22 370 459

Total Receivables from Exchange Transactions
Less: Allowance for Doubtful Debts
Total Net Receivables from Exchange Transactions

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector. Through established practices and legislation, discounting of trade and other receivables on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables fails to show recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Interest on Receivables	20 406 849	21 967 263
Other Receivables	2 742 553	4 304 052
Accrued Fines	-	423 483
Total Receivables from Non-Exchange Transactions	23 149 202	26 994 798
Less: Allowance for Doubtful Debts	(16 532 071)	(23 128 545)
Total Net Receivables from Non-Exchange Transactions	6 617 131	3 865 253

Ageing of receivables

Current (0 - 30 days)	13 528 461	12 193 409
1 to 3 months	6 662 275	8 717 981
3 to 6 months	7 015 815	5 667 658
Longer than 6 months	94 165 922	89 385 321
Total	121 382 474	115 964 380

Reconciliation of Provision for Bad Debts

Balance at beginning of year	90 028 638	84 562 223
Contribution to provision	29 841 976	20 407 456
Bad Debts Written Off	(16 682 376)	(14 941 040)
Balance at end of year	102 988 239	90 028 638

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables fails to show recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

21 OPERATING LEASE ARRANGEMENTS

21.1 The Municipality as Lessee (Liability)

Balance on 1 July

Movement during the year

Balance on 30 June

	2012 R	2011 R
3 451	17 257	
(3 451)	(13 886)	
	3 451	

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year 44 810

1 to 5 Years -

More than 5 Years -

Total Operating Lease Arrangements

Theewaterskloof Municipality leased ref no. 638, in Caledon, from Treeso Trading 525 (Pty) Ltd for 3 years during the period September 2009 to August 2011 with a escalation of 8% per year.

The municipality does not engage in any sub-lease arrangements.

21.2 The Municipality as Lessor (Assets)

Balance on 1 July

Movement during the year

Balance on 30 June

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year 184 700

1 to 5 Years 88 077

More than 5 Years -

Total Operating Lease Arrangements

Theewaterskloof Municipality is leasing a number of land and some buildings to different rate payers for periods ranging from 2 to 99 years, with escalations of between 1½ and 12% per year.

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for periods ranging until 2094.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year.

22 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits

Primary Bank Account

Cash Floats

Total Cash and Cash Equivalents - Assets

	(Restated)
586 338	582 760
2 125 914	2 217 368
2 004 026	2 478 918
4 695 277	5 379 037

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding deposits and outstanding cheques at year-end are recognised as part of cash and cash equivalents.

Call Investments Deposits to an amount of R 7 554 301 are held to fund the Unspent Conditional Grants (2011: R2 414 416).

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

22

CASH AND CASH EQUIVALENTS (CONTINUED)

	2012 R	2011 R
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The municipality has one guarantees of R15 000 in the name of the beneficiary, Eskom.

An amount of R 430 224 (2010: R 451 898), included in Call Investment Deposits above, is invested in an institution which is under curatorship. The curators are encashing property developments financed by the investment company before distribution of funds will continue, however it is expected significant capital losses will be incurred. The dates of any possible future cashflows are not known at the reporting date and the full amount has been impaired due to the uncertainty of collectability.

The municipality has the following bank accounts:

Current Accounts

Caldecott ABSA - Account Number 405 7866 237 (Primary Bank Account):

Cash book balance at beginning of year	6 365 123	7 222 573
Cash book balance at end of year	6 365 123	7 222 573
Bank statement balance at beginning of year	7 506 549	2 122 695
Bank statement balance at end of year	6 016 598	7 506 549

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Nedbank	0317881715316001	Notice deposit	151 164	143 787
Interneuron Capital Ltd	CA-002	Notice deposit	430 224	430 224
ABSA	9095225480	Notice deposit	12 885 739	13 343 903
ABSA	90 387 77 0478	Redemption Fund	1 910 520	1 817 284
Santam		Shares Investment	114 781	89 487
Less: Provision for impairment	(430 224)		(430 224)	
	15 042 204		15 394 461	

PROPERTY RATES

Actual

Rentable Land and Buildings

Residential, Commercial Property, State

Less: Rebates

Total Assessment Rates

Valuations - 1 JULY 2009

Rentable Land and Buildings

Residential

Business & Commercial

Public benefit Organizations

State-owned

Agricultural

Other

Total Assessment Rates

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Rebates were granted on land with buildings used solely for dwelling purposes as follows: Residential -

The first R15 000 (R50 000 for those earning less than R350 p.m.) on the valuation is exempted.

Rates:		
Residential	0.62 c/R	0.58 c/R
Commercial	1.24 c/R	1.15 c/R
Agricultural	0.155 c/R	0.145 c/R

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

23. PROPERTY RATES (CONTINUED)

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

24. GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

Equitable Share

Conditional Grants

	2012 R	2011 R
44 750 000	43 654 220	
65 520 196	57 741 126	
1 464 372	255 981	
1 000 000	20 305 654	
19 549 524	1 063 542	
1 336 458	923 740	
1 716 976	127 272	
276 983	-	
Sportfield: Grabouw	193 081	
CDW's	498 697	
Housing	443 685	
Township Development: Denebervlei	31 623 753	
Main Roads Subsidy	32 437 219	
Library Subsidy	17 797	
DBSA GIS	2 828 600	
DBSA Local Economic Development	80 000	
SETA	4 254 600	
Lobby 600	678 000	
DBSA 600	22 224	
DBSA 600	635 156	
SETA 798	588 600	
	228 634	
	110 270 196	
	101 395 346	

Total Government Grants and Subsidies

The municipality does not expect any significant changes to the level of grants.

Revenue recognised per vote as required by Section 123 (c) of the MMA.

Equitable share

Executive & Council	43 654 220
Budget & Treasury	2 946 069
Planning & Development	1 763 189
Community & Social Services	54 586 985
Road Transport	57 761 305
	578 824
	4 254 000
	879 000
	60 000
	110 270 196
	101 395 347

Equitable share

Opening balance	44 750 000
Grants received	(44 750 000)
Conditions met - Transferred to revenue	-
Conditions still to be met	-

Equitable Share

All registered indigents receive a monthly subsidy as per approved budget, funded from its grant. Indigent subsidies is based on the cost of free basic services of R266.50 per month (2011: R228)	43 654 220
	(43 654 220)

24.02 EPWP	1 427 639	694 600
Opening balance	973 000	989 000
Grants received	(1 464 372)	(255 981)
Conditions met - Transferred to revenue	-	-
Conditions still to be met	936 267	1 427 639

To extend services to communities through a nationally co-ordinated approach.

THREEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2012 R	2011 R
24.03	National Electrification Program		
	Opening balance	1 000 000	-
	Grants received	(1 000 000)	-
	Conditions met - Transferred to revenue	-	-
	Conditions still to be met	-	-
24.04	Municipal Infrastructure Grant		
	Opening balance	21 577 000	4 905 654
	Grants received	15 400 000	15 400 000
	Conditions met - Transferred to revenue	(19 549 524)	(20 305 654)
	Conditions still to be met	2 027 476	-
	The grant was used to construct roads, water and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage notes in Appendix B). No funds have been withheld.		
24.05	MSIG Funds		
	Opening balance	138 458	-
	Grants received	1 200 000	1 200 000
	Conditions met - Transferred to revenue	(1 396 458)	(1 063 542)
	Grant expenditure to be recovered	-	-
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
24.06	Finance Management Grant		
	Opening balance	356 033	279 773
	Grants received	1 250 000	1 000 000
	Conditions met - Transferred to revenue	(1 715 976)	(923 740)
	Grant expenditure to be recovered	(109 943)	356 033
24.07	Neighbourhood Development Program Grant		
	Opening balance	2 000 000	-
	Grants received	(127 272)	-
	Conditions met - Transferred to revenue	-	-
	Grant expenditure to be recovered	1 872 728	-
	The NDPG is being utilised for development of economic nodes within previously disadvantaged areas.		
24.08	Regional Bulk Infrastructure Grant		
	Opening balance	276 983	-
	Grants received	(276 983)	-
	Conditions met - Transferred to revenue	-	-
	Grant expenditure to be recovered	-	-
	The grant was utilised to construct sewerage bulk infrastructure in Grabouw.		

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2012 R	2011 R
24.08	Sportsfield : Caledon		
	Opening balance	- 193 081	
	Grants Received	- (193 081)	
	Conditions met - Transferred to revenue		
	Grant expenditure to be recovered		
24.09	Sportfield: Grasbaai		
	Opening balance	- 498 807	
	Conditions met - Transferred to revenue	(498 807)	
	Grant expenditure to be recovered		
24.10	Spatial Development Framework		
	Opening balance	- 30 469	
	Grant expenditure to be recovered	- 30 469	
24.11	Bathvlei Development Contribution		
	Opening balance	- 38 869	
	Grant expenditure to be recovered	- 38 869	
	To obtain a policy for dealing with development applications and the payment of development contributions		
24.12	CDW's		
	Opening balance	52 484	
	Grants received	190 900	
	Conditions met - Transferred to revenue	(145 238)	
	Grant expenditure to be recovered	58 146	
		52 484	
	To provide financial assistance to municipalities to cover the operational costs pertaining to the functions of the community development workers including the regional co-ordinators.		
24.13	Project Rehabilitation		
	Opening balance	- 69 400	
	Grant expenditure to be recovered	- 69 400	
	Development of project plans.		
24.14	Housing		
	Opening balance	(182 255)	
	Grants received	33 290 623	
	Conditions met - Transferred to revenue	(31 623 753)	
	Grant expenditure to be recovered	1 484 615	
	Provide housing to the indigents.	(182 255)	
24.15	Township Development: Deneakruin		
	Opening balance	- 17 797	
	Conditions met - Transferred to revenue	(17 797)	
	Grant expenditure to be recovered	-	

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)			
24.16 Financial Support Grant			
Opening balance		400 000	
Grants received		-	
Conditions met - Transferred to revenue		-	
Grant expenditure to be recovered		-	
24.17 Multi Purpose Bus			
Opening balance		62 102	
Grant expenditure to be recovered:		62 102	
24.18 Main Roads Subsidy			
Opening balance		62 102	
Grants received		-	
Conditions met - Transferred to revenue		-	
Grant expenditure to be recovered		-	
24.19 Library Subsidy			
Opening balance		-	
Grants received		4 234 000	
Conditions met - Transferred to revenue		(4 234 000)	
Grant expenditure to be recovered		-	
24.20 Other Grant Providers			
Opening balance		155 309	
Grants received		1 430 286	
Conditions met - Transferred to revenue		(1 218 622)	
Conditions still to be met		366 973	
Various grants were received from other spheres of government (e.g. DBSA and SETA)		155 309	
24.21 Total Grants			
Opening balance		2 146 528	
Grants received		115 400 792	
Conditions met - Transferred to revenue		(101 270 198)	
Conditions still to be met [Grant expenditure to be recovered]		7 277 122	
Disclosed as follows:		2 146 528	
Unspent Conditional Government Grants and Receipts			
Unspent Conditional Government Grants and Receipts		7 387 088	
		(106 943)	
		7 277 123	
25 SERVICE CHARGES			
Electricity		55 062 599	
Water		35 254 594	
Refuse removal		16 074 033	
Sewerage and Sanitation Charges		14 622 926	
Other Service Charges		13 478 944	
Total Service Charges		165 950	
		234 133	
		121 180 002	
		108 733	
		355	

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

26 OTHER INCOME

	2012 R	2011 R
Plot Rental	353 618	25 332
Building Plan fees	765 149	636 692
Carriatory fees	315 857	304 736
Valuation Certificates	157 816	146 475
Vehicle Registration Fees	349 385	321 791
Surfy Income	893 705	1 015 914
Total Other Income	2 805 330	2 480 340

27 FAIR VALUE ADJUSTMENTS

Unamortised Discount - Interest

Investment Property

	1 272	1 455
	<u>7 079 100</u>	<u>11 432 821</u>
	<u>7 080 372</u>	<u>11 432 276</u>

28 EMPLOYEE RELATED COSTS

Salaries	68 112 262	62 369 501
Overtime	2 045 763	2 102 308
Standby Allowances	1 004 797	897 679
Transport Allowance	4 620 954	4 654 420
Housing Subsidy	688 610	647 257
Other Allowance	379 047	547 844
Bonus	5 334 986	5 013 068
Group Insurance	1 370 088	1 059 011
Medical Aid Contribution	3 195 445	2 824 557
Pension Fund Contribution	11 252 155	10 326 288
Unemployment Fund	610 102	588 843
Leave Reserve Fund	3 743 862	1 777 748
Workers Compensation Contributions	1 928 204	588 501
Contribution to provision - Long Service Awards	469 887	337 844
Contribution to provision - Post Retirement Medical	1 681 047	1 059 294
Post Retirement Finance Charges	2 497 924	1 781 631
Total Employee Related Costs	108 915 385	96 475 594

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 7-year contract and the Director Technical Services on a 5 year contract. All other Directors are appointed on 10-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period.

RENUMERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - HSD Wallace

Annual Remuneration	1 002 889	940 004
Car Allowance	125 641	125 641
Contributions to UIF, Medical and Pension Funds	29 498	26 010
Performance Bonuses	150 544	150 544
Total	1 308 572	1 091 656
	<u>1 069 038</u>	<u>933 116</u>

Remuneration of the Director Technical Services - C van Heerden

Annual Remuneration	869 350	813 116
Car Allowance	120 000	120 000
Performance Bonuses	79 188	79 188
Total	1 069 038	933 116
	<u>1 069 034</u>	<u>933 116</u>

Remuneration of the Director Corporate Services - J Isaacs

Annual Remuneration	791 674	745 537
Car Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	138 175	127 579
Performance Bonuses	98 985	98 985
Total	1 069 034	933 116
	<u>1 069 034</u>	<u>933 116</u>

Total

Remuneration of the Director Development Services - MH Grootvry	709 298	665 214
Annual Remuneration	120 000	120 001
Car Allowance	108 983	147 902
Performance Bonuses	98 985	98 985
Total	938 181	933 116
	<u>938 181</u>	<u>933 116</u>

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Remuneration of the Director Financial Services - SN Jacobs	940 471	881 409
Annual Remuneration	90 000	90 000
Car Allowance	133 961	
Performance Bonuses	1 164 432	971 409
Total	996 336	838 599

29 REMUNERATION OF COUNCILLORS

Mayor	622 270	600 710
Deputy Mayor	504 724	484 157
Speaker	504 558	484 157
Mayoral Committees Members	2 197 017	1 965 060
Councillors	3 339 165	3 088 277
Total Councillors' Remuneration	7 167 744	6 022 361

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and three mayoral committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the Framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination, in accordance with this Act.

H S D Wallace
Municipal Manager

30 DEBT IMPAIRMENT

Receivables from exchange and non-exchange transactions - Note 20	31 030 847	18 207 628
Cash and Cash Equivalents - Note 22	4 30 224	
Total Contribution to Debt Impairment	31 030 847	18 637 852

31 DEPRECIATION AND AMORTISATION

Property Plant and Equipment (Restated 2011)	8 047 521	7 299 210
Capitalised restoration costs	186 335	231 331
Intangible Assets	281 007	273 940
	8 514 863	7 804 481

32 IMPAIRMENTS

Property Plant & Equipment	8 364 529	294 344
Capitalised restoration costs	711	59 986
Investment Property	32 925 350	1 252 750
	41 290 590	1 807 092

33 FINANCE CHARGES

Long-term Liabilities	12 719 432	9 456 733
Pension Fund Arrears	1 138 006	1 373 986
Non-current provisions	1 365 438	10 934 199
Total finance charges	13 657 438	10 934 199

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
34 BULK PURCHASES		
Electricity	34 770 298	28 781 283
Water	6 704 399	6 008 796
Total Bulk Purchases	<u>41 474 697</u>	<u>34 790 079</u>
35 GRANTS AND SUBSIDIES		
Indigent Subsidies : Eskom payments	638 395	427 760
Total Grants and Subsidies	<u>638 395</u>	<u>427 760</u>
36 OPERATING GRANT EXPENDITURE		
Operating grant expenditure per year		
Executive & Council	3 175 750	1 734 112
Budget & Treasury	11 518 450	26 172 541
Planning & Development	688 242	652 883
Total Operating grant expenditure	<u>15 360 443</u>	<u>27 559 507</u>
37 GENERAL EXPENSES		
Audit Fees	2 490 126	2 309 616
Bank Charges	273 133	240 664
Clean and Green Project	378 001	346 479
Computer charges	68 627	222 519
Fuel Cost	3 594 743	2 824 826
Insurance	781 157	658 629
Material and protective clothing	1 530 181	1 307 765
Membership fees	735 668	484 888
Postage	217 984	606 790
Printing and stationery	638 094	594 883
Quick Wins	47 276	1 374 640
Rates and taxes	1 127 794	1 075 361
Electricity - Eskom	4 551 064	4 065 011
Skills development levy	810 684	687 982
Telephone	2 122 955	2 019 431
Training	577 262	427 438
Travel and subsistence	548 324	470 778
Water Purification	1 120 414	1 060 873
Other	4 811 809	3 227 080
General Expenses	<u>26 425 297</u>	<u>23 988 853</u>
38 CORRECTION OF ERROR IN TERMS OF GRAP 3		
	2011 R	
38.01 Investment Properties		
Balances previously reported	235 357 830	
Correction of Opening Balance on Cost due to an erf not previously recognised - Note 15 and 38.03	225 000	
Total	<u>235 352 830</u>	
38.02 Property Plant and Equipment		
Balance previously reported	403 222 278	
Correction of Opening Balance on Accumulated Depreciation due to incorrect calculations - Note 13 and 38.03	1 532 992	
Correction of prior year depreciation due to incorrect calculations - Note 13 and 38.03	(640 563)	
Total	<u>404 114 707</u>	
38.03 Accumulated Surplus/(Deficit)		
Correction of Opening Balance on Accumulated Depreciation due to incorrect calculations - Note 38.02	1 532 992	
Correction of Opening Balance on Investment Properties due to an erf not previously recognised - Note 38.01	225 000	
Total	<u>1 757 992</u>	

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

39 STATEMENT OF FINANCIAL PERFORMANCE	2011 R	2011 R
Balance previously reported		(640 563)
Correction of prior year depreciation due to incorrect calculations - Note 38.02		(640 563)
Total	(640 563)	(640 563)

RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

40 Surplus/(Deficit) for the year	2012 R	2011 R
Adjustments for:		26 888 973
Depreciation	8 233 956	7 530 541
Impairments	4 128 550	1 687 092
Amortisation of Intangible Assets	281 007	273 940
(Gain) / Loss on disposal of property, plant and equipment	288 569	768 977
Grants received (restated 2011)	115 400 792	96 422 785
Grants recognised as revenue (restated 2011)	(101 395 346)	(101 395 346)
Contribution from/to employee benefits - non-current	4 848 858	3 500 351
Contribution from/to employee benefits - non-current - expenditure incurred	(1 269 069)	(980 318)
Contribution from/to employee benefits - non-current - actuarial losses	4 23 426	4 910 343
Contribution to employee benefits - current - expenditure incurred	6 277 882	3 245 719
Fair Value Adjustments - Property, Plant and Equipment	(4 184 119)	(1 892 625)
Contribution to provisions - bad debt	29 641 976	20 837 680
Contribution to provisions - bad debt - Cash and Cash Equivalents reduced	(430 224)	(430 224)
Impairment written off	(16 682 376)	(14 941 040)
Operating lease income accrued	(88 077)	(68 537)
Operating lease expenses accrued	(3 451)	(13 896)
Changes in Non-current provisions - Unwinding of interest	1 138 006	1 373 985
Operating Surplus/(Deficit) before changes in working capital	49 412 660	36 217 669
Changes in working capital	(3 028 752)	(2 860 124)
Increase/(Decrease) in Trade and Other Payables	2 799 000	4 496 748
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts (Restated 2011)	81 603	85 632
Increase/(Decrease) in Unspent Public Contributions	(116 417)	1 200 679
Increase/(Decrease) in Taxes	(372 614)	(297 811)
(Increase)/Decrease in Inventory	(8 963 720)	(9 730 620)
(Increase)/Decrease in Trade Receivables from exchange transactions	3 545 596	1 585 248
(Increase)/Decrease in Other Receivables from non-exchange transactions	(18 963 720)	(9 730 620)
(Increase)/Decrease in Unspent Conditional Government Grants and Receipts (Restated 2011)	46 383 928	33 557 545
Cash generated/(absorbed) by operations	21 413 727	22 623 534

41 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Cash Investments Deposits - Note 22	15 042 204	15 394 461
Cash Floats - Note 22	6 400	6 400
Bank - Note 22	6 365 123	7 222 673
Total cash and cash equivalents	21 413 727	22 623 534

42 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 41	21 413 727	22 623 534
Less:		
Unspent Committed Conditional Grants - Note 10	(15 475 252)	(8 115 712)
Less: Unspent loans	(7 385 066)	(2 328 784)
	(8 088 186)	(5 786 928)
Resources available for working capital requirements	5 938 475	14 507 822

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

43 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2012 R	2011 R
Long-term Liabilities: Note 3	119 265 190	105 420 285
Used to finance property, plant and equipment - at cost	(127 353 376)	(111 187 213)
Cash set aside for the repayment of long-term liabilities	(8 088 186)	(5 786 928)
Cash invested for repayment of long-term liabilities	(8 088 186)	(5 786 928)

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

44 BUDGET COMPARISONS

	2012 R (Actual)	2012 R (Budget)	2012 R (Variances)	2012 R (%)
Revenues by source				
Property Rates	43 226 388	39 742 286	3 484 102	9%
Government Grants and Subsidies	110 270 199	122 826 491	(12 556 292)	(10%)
Public Contributions and Donations	588 989	-	588 989	100%
Third Party Payments	61 708	-	61 708	100%
Fines	2 941 835	5 082 300	(2 150 465)	(42%)
Fair Value Adjustments	7 080 372	7 080 372	-	100%
Service Charges	121 180 002	122 388 079	(1 208 077)	(1%)
Rental of Facilities and Equipment	1 104 844	2 195 000	(1 090 156)	(50%)
Interest Earned - external investments	1 738 106	1 450 000	288 106	20%
Interest Earned - outstanding debtors	7 833 546	7 000 000	833 546	12%
Licences and Permits	2 965 316	2 813 500	121 816	4%
Agency Services	1 839 310	1 832 000	4 310	0%
Other income	2 805 530	39 314 261	(36 508 731)	(93%)
	303 574 155	344 653 917	(41 079 762)	(11%)
Expenditure by nature				
Employee Related Costs	108 915 385	102 026 789	(6 888 596)	7%
Remuneration of Councillors	7 167 744	7 356 630	(188 886)	(3%)
Debt Impairment	31 050 847	5 325 200	(22 725 647)	273%
Depreciation and Amortisation	6 514 963	12 323 177	(3 808 214)	(31%)
Impairments	41 290 590	-	(41 290 590)	(100%)
Repairs and Maintenance (Budget included in General Expenses)	15 553 160	-	(15 553 160)	(100%)
Actuarial losses	423 426	(423 426)	-	(100%)
Finance Charges	13 857 438	13 440 075	(417 363)	3%
Bulk Purchases	41 474 687	42 000 450	(525 753)	(1%)
Contracted services	11 307 937	14 447 363	(3 139 426)	(22%)
Grants and Subsidies	638 395	(638 395)	-	(100%)
Operating Grant Expenditure (Budget included in General Expenses)	15 360 442	(15 360 442)	(100%)	(100%)
General Expenses	26 425 297	58 064 115	(31 638 818)	(55%)
Losses on disposal of Property, Plant and Equipment	247 037	(247 037)	(100%)	(100%)
Fair Value Adjustments	-	0%	0%	0%
Net Surplus for the year	322 207 358	(37 759 262)	13%	(131%)
	(18 633 203)	60 244 821	(78 878 024)	(131%)

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 R (%)
44.2 Expenditure by Vote				
Executive & Council	45 430 022	53 347 110	(7 917 088)	(15%)
Finance & Administration	80 028 788	45 739 669	34 289 699	75%
Planning & Development	11 896 754	12 768 240	(871 486)	(7%)
Community & Social Services	4 567 467	4 526 070	41 397	1%
Housing	3 866 861	5 759 086	(1 892 745)	(33%)
Public Safety	12 108 294	11 268 310	839 984	7%
Sport & Recreation	7 332 234	5 936 787	1 395 447	24%
Environmental Protection	109 092	113 896	(4 804)	(4%)
Waste Management	24 802 765	19 077 922	5 724 843	37%
Waste Water Management	21 588 256	15 891 532	5 694 724	96%
Road Transport	24 219 161	21 501 448	2 717 713	13%
Water	37 243 937	28 061 388	9 182 549	33%
Electricity	48 655 554	46 075 519	2 578 035	6%
Other	362 173	15 341 150	(14 979 977)	(98%)
	322 207 358	284 409 096	37 798 262	13%

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 R (%)
44.3 Capital expenditure by vote				
Executive & Council	2 003 236	3 435 785	(1 432 549)	(42%)
Finance & Administration	489 244	2 682 565	(2 173 321)	(82%)
Planning & Development	8 208 358	2 150 000	6 059 358	282%
Community & Social Services	11 388	312 374	(300 986)	(96%)
Housing	17 182 946	23 914 560	(6 731 614)	(28%)
Public Safety	13 646	0	13 646	100%
Sport & Recreation	17 721	-	17 721	100%
Waste Management	807 781	2 184 000	(1 376 219)	(65%)
Waste Water Management	15 011 612	19 100 934	(4 088 322)	(21%)
Road Transport	4 309 453	4 988 428	(688 975)	(13%)
Water	10 622 733	14 686 747	(4 064 014)	(26%)
Electricity	6 219 258	9 575 505	(3 357 247)	(35%)
	64 897 856	82 980 898	(18 083 042)	(22%)

Details of material variances

The main reason for the over-expenditure on the votes is that the budget reforms was not implemented according to the requirements and allocations as per the accounting for the expenditure. The total current budget is underspent by 22%, but there are over-spending on the individual votes by R 6 090 725. The total Operating Budget is exceeded by R 37 798 262, which consists mainly as a result of an under-provision for bad debts as well as impairments on Investment Properties due to the economic climate.

45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	4 490 425	8 780 520
Unauthorised expenditure current year - capital	6 090 725	-
Unauthorised expenditure current year - operating	63 453 791	4 460 425
Written off by council	(4 460 425)	(6 780 520)

Unauthorised expenditure awaiting authorisation

Incident	Disciplinary steps/initial proceedings
Over expenditure on votes	None

The main reasons for the unauthorised expenditure are the insufficient budget for non-cash transactions such as additional provision for doubtful debts and impairments of Investment Properties.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
45.2 Fruilless and wasteful expenditure		
Reconciliation of fruilless and wasteful expenditure:		
Opening balance	118 071	(118 071)
Written off by council	-	-
Fruilless and wasteful expenditure awaiting further action	-	-
Incident	Disciplinary steps/criminal proceedings	
Interest paid no false payment	None	118 071
	118 071	118 071

	2012 R	2011 R
45.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	6 086 468	1 505 374
Irregular expenditure 2010/2011 restated	3 940 113	-
Irregular expenditure current year	1 122 782	640 981
Written off by council	(2 146 355)	-
Irregular expenditure awaiting further action	6 086 468	6 086 468
Incident	Disciplinary steps/criminal proceedings	
Non-compliance with the Supply Chain Management Policy and not approved by the Accounting Officer - 2011/2012 - R 1 056 989	None	-
Red Ant Security Services - Director is in the service of the State - R 65 733	None	-
	11 149 363	6 086 468

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

45.4 Material losses

Water distribution losses			
- Kilometres purified			
- Kilometres lost during distribution	3 911 749	4 134 910	
- Percentage lost during distribution	220 646	368 125	8.90%
Electricity distribution losses			
- Units purchased (Kwh)	60 530 395	62 214 383	
- Units lost during distribution (Kwh)	3 483 001	5 095 254	15.19%
- Percentage lost during distribution	5.75%	8.19%	

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 Contributions to organised local government - IMFMA 125(1)(b) - SALGA CONTRIBUTIONS

Opening balance	707 129	436 702
Council subscriptions	(707 129)	(436 702)
Amount paid - current year	-	-
Balance unpaid (included in creditors)	-	-
Audit fees - [IMFMA 125(1)(b)]		
Opening balance	2 625 798	2 309 616
Current year audit fee	2 625 798	2 309 616
External Audit - Auditor-General	(2 625 798)	(2 309 616)
Amount paid - current year	-	-
Balance unpaid (included in creditors)	-	-

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The major deviations approved are as follows:

Incident	Amount
	R
Eisig Kort Metoring - Site Supplier - 8 Purchases	4 271 546
Molibesito Africa - Composition of Annual Financial Statements, unbundling of Infrastructure purchases, historical valuations and updating of fixed asset register and classifications in terms of GRIP.	438 900
Instiflo Holdings - Replacement of 40% shareholding at Overberg Agric due to merger.	319 143

46.8 Other non-compliance (MFINA 125(2)(a))

Section 32(4) (a) of the MFINA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by this section. The final unauthorised expenditure can only be determined after the finalisation of the Annual Financial Statements.

47 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure

Total

This expenditure will be financed from:

External Loans

Government Grants

	2012 R	2011 R
	37 821 153	29 111 091
	<u>37 821 153</u>	<u>29 111 091</u>
	37 821 153	29 111 091
	6 237 546	22 873 545
	<u>6 237 546</u>	<u>22 873 545</u>
	-	29 111 091

48 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, reversal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2011 - 0.5%) Increase in interest rates

0.5% (2011 - 0.5%) Decrease in interest rates

(978 578)

489 289

(413 916)

413 916

FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of categories, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of sectors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "varying of penalty charges", "demand for payment", "restriction of services" and as a last resort, "handover over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 19 and 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 19 for balances included in receivables that were re-negotiated for the period under review.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good Payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers and Untraceable account. These categories are then impaired on a group basis based on the risk profile/risk quality associated with the group.

Balances past due not impaired:

	2012	2011
	%	%
	R	R
Balances past due not impaired:		13 302 730

Due to the short term nature of receivables the carrying value disclosed in note 19 and 20 of the financial statements is an approximation of fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2012	2012	2011	2011
	%	%	%	%
	R	R	R	R
Non-Exchange Receivables				
Rates	<u>16.05%</u>	<u>16 532 071</u>	<u>23.69%</u>	<u>23 129 545</u>
Exchange Receivables				
Services	<u>83.95%</u>	<u>98 456 188</u>	<u>74.31%</u>	<u>98 899 093</u>
	<u>100.00%</u>	<u>100 988 259</u>	<u>100%</u>	<u>98 828 638</u>

The municipality only deposits cash with organisations allowed in terms of the Cash Management Policy with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA, and Nedbank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be 'very low'. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Financial assets exposed to credit risk at year end are as follows:

	2012 R	2011 R
Long term receivables	42 438	45 406
Receivables from exchange transactions	11 777 104	22 370 459
Receivables from non-exchange transactions	2 742 553	4 304 052
Cash and Cash Equivalents	21 413 727	22 823 534
Unpaid conditional grants and subsidies	109 943	182 256
	<u>36 095 764</u>	<u>49 525 706</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term Liabilities - Annuity Loans	17 054 300	61 409 630	58 986 269	51 250 327
Capital repayments	6 506 297	26 004 376	28 809 466	41 023 984
Interest	10 548 003	34 405 254	30 376 803	16 226 333
Long Term Liabilities - Stock Loans	1 598 480	6 004 457	10 304 440	20 221 791
Capital repayments	1 598 480	6 004 457	2 553 169	14 469 821
Interest	-	-	7 751 271	5 751 980
Long Term Liabilities - Finance Lease Liability	113 680	189 467	-	-
Capital repayments	11 948	86 138	-	-
Interest	101 732	103 328	-	-
Provisions - Landfill Sites	-	36 500 728	-	-
Capital repayments	-	26 046 313	-	-
Interest	-	1 452 416	-	-
Trade and Other Payables	22 360 829	-	-	-
Unspent conditional government grants and receipts	7 387 086	-	-	-
Unspent conditional public contributions and receipts	167 235	-	-	-
	<u>48 671 589</u>	<u>96 104 282</u>	<u>69 290 709</u>	<u>77 472 117</u>
2011				
Long Term Liabilities - Annuity Loans	13 589 583	50 845 314	47 541 582	59 149 209
Capital repayments	4 621 687	20 274 967	20 471 386	40 112 619
Interest	8 961 896	30 570 347	27 070 216	19 036 630
Long Term Liabilities - Stock Loans	3 066 969	6 002 510	8 851 389	23 275 209
Capital repayments	2 842 328	6 002 510	1 000 000	16 022 970
Interest	224 641	-	7 851 389	7 252 239
Long Term Liabilities - Finance Lease Liability	49 898	-	-	-
Capital repayments	48 289	-	-	-
Interest	1 609	-	-	-
Provisions - Landfill Sites	-	30 500 728	-	-
Capital repayments	-	29 048 313	-	-
Interest	-	1 452 416	-	-
Trade and Other Payables	19 038 201	-	-	-
Unspent conditional government grants and receipts	2 326 784	-	-	-
Unspent conditional public contributions and receipts	167 235	-	-	-
	<u>38 240 670</u>	<u>58 847 984</u>	<u>86 893 699</u>	<u>82 424 418</u>

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

49 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

49.1 Financial Assets [Restated 2011]	Classification	2012 R	2011 R
Long-term Receivables			
Officials Housing Loans	Financial instruments at amortised cost	48 173	52 414
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	11 777 104	22 370 459
Receivables from non-exchange transactions	Financial instruments at amortised cost	2 742 553	4 304 052
Other Receivables			
Government Subsidies and Grants	Financial instruments at amortised cost	109 943	182 255
Current Portion of Long-term Receivables			
Official Housing Loans	Financial instruments at amortised cost	4 601	4 241
Sport Club Loans	Financial instruments at amortised cost	-	-
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	15 042 204	15 394 461
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	6 385 123	7 222 673
Cash Floats and Advances	Financial instruments at amortised cost	8 400	6 400
		<u>36 095 104</u>	<u>49 558 955</u>
SUMMARY OF FINANCIAL ASSETS			
Financial instruments at amortised cost		<u>36 095 101</u>	<u>49 558 955</u>
At amortised cost		<u>36 095 101</u>	<u>49 558 955</u>

49.2 Financial Liability [Restated 2011]

Classification

Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	106 650 429	90 769 393
Capitalised Lease Liability	Financial instruments at amortised cost	-	-
Provisions [Non-current and current] - [Restated 2011]			
Landfill Sites	Financial instruments at amortised cost	30 500 728	30 500 728
Parasubject from exchange transactions			
Trade creditors	Financial instruments at amortised cost	13 987 558	10 774 673
Interest portion of long term liabilities	Financial instruments at amortised cost	1 938 215	974 687
Retentions	Financial instruments at amortised cost	5 698 589	5 483 602
Sundry Deposits	Financial instruments at amortised cost	709 628	598 903
Other Payables			
Government Subsidies and Grants	Financial instruments at amortised cost	7 387 096	2 328 784
Current Portion of Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	6 506 297	5 223 195
Capitalised Lease Liability	Financial instruments at amortised cost	11 949	48 269
		<u>175 350 459</u>	<u>145 642 754</u>
SUMMARY OF FINANCIAL LIABILITY			
Financial instruments at amortised cost		<u>175 350 459</u>	<u>145 642 754</u>
EVENTS AFTER THE REPORTING DATE			
The Chief Financial Officer resigned on 7 July 2012. A new Chief Financial Officer was appointed to commence work on 1 September 2012.			
IN-KIND DONATIONS AND ASSISTANCE			
The DBSA provided technical assistance to the Local Economic Development Department.		1 068 300	
PRIVATE PUBLIC PARTNERSHIPS			
Council has not entered into any private public partnerships during the financial year.			

50 EVENTS AFTER THE REPORTING DATE

The Chief Financial Officer resigned on 7 July 2012. A new Chief Financial Officer was appointed to commence work on 1 September 2012.

51 IN-KIND DONATIONS AND ASSISTANCE

The DBSA provided technical assistance to the Local Economic Development Department.

52 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

53 CONTINGENT LIABILITY

The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is approximately a general 2% increase in remuneration as from October 2009.

Horne Spouton instituted a civil claim against the Municipality for damages that suffered as a result of the Cancellation of tender Dev 4/2008/09. The Municipality defended the claim and the case will be heard on 8 October 2012 in the Cape High Court.

500 000

54 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

54.1 Related Party Transactions

	Year ended 30 JUNE 2012			Councillors
	Replies - Levied 1 Jul 11 - 30 Jun 12	Service Charges - Levied 1 Jul 11 - 30 Jun 12	Other - Levied 1 Jul 11 - 30 Jun 12	
	32 156	110 638	22	9 958
Carelse G	2 543	7 023	1 434	
Opiado A	605	4 288	460	
De Wet N	4 253		354	
De Wet N	12 189		931	
De Wet P	450	4 265	364	
Hector M	344	4 686	130	
Hendrikus J	3 497	3 642	659	
Kroogdenberg N	8 463	16 937	1 362	
Nelie J	74		6	
Nelie J	12 690		910	
Papier KJ	1 045	10 986	524	
Park C	4 253	5 986	587	
Siek U	-	3 740	-	
Siever U	68	3 082	10	
Swartz J	-	3 833	-	
Tsaka M	-	17 350	12	
Vosloo C	6 557		-	
Senior Management				
Bernard J	4 483	12 070	1 505	
Geyriha H	-	10 483	24 232	

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

54.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 17 to the Annual Financial Statements.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

54 RELATED PARTIES (CONTINUED)

54.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

54.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

	2012 R	2011 R
Stoking Ships Trading 5 - Via J&A Elektroverse Werke - Decorative streetlights - Son in Law of Deputy Director : Electrical Transport services - Mother of Denver and Fredericks Contractors : Technical Services	154 492	365 783
Coalition Trading - Construction Services - Husband of Alison Tobias-Werniges : Assistant Superintendent Streets and Stormwater	431 773	
PM Builders - Construction Services - Husband of Alison Tobias-Meinjies : Assistant Superintendent Streets and Stormwater	17 784	
Tano Vosa - ICT Services - Domestic partner of Manager ICT	24 102	
Villiersdorp Schoolnet - Security and Monitoring Services - Husband of Speaker	53 198	
Frick Attorneys - Legal Services - Husband of Gail Frick - Senior Clerk Clearances	2 927	
	<u>688 906</u>	<u>365 783</u>

APPENDIX A - Unaudited

THEEWATERSKLOOF MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
LONG-TERM LOANS							
Stock Loans							
DBSA							
DBSA 10.06% 20 year	10.06%	Loan No. 102275/1	31/03/2009	11 865 299	-	1 842 328	10 022 971
DBSA 9.46% 20 year	9.46%	Loan No. 101487/1	31/12/2024	7 873 758	-	1 000 000	6 873 758
DBSA 9.49% 5 year	9.49%	Loan No. 101487/4	31/12/2009	126 242	-	-	126 242
Total Long-term Loans				19 865 299	-	2 842 328	17 022 971
ANNUITY LOANS							
DBSA 10.95% 10 year	10.95%	Programs101178/1	30/06/2014	3 577 249	-	1 067 021	2 510 228
DBSA	10.74%	Loan No. 102807/1	30/06/2013	11 322 047	651 026	10 671 021	
DBSA	11.44%	Loan No. 103108/1	31/12/2018	9 810 450	222 904	9 587 546	
ABSA	11.35%	(Mun. Buildings)					
ABSA	11.35%	11794 (Severage)	31/12/2014	171 726	42 497	129 229	
ABSA	11.14%	(Electricity, Water, Sewerage)10858/1	31/12/2014	82 895	20 514	62 381	
ABSA	11.14%	(Sewerage)10858/2	31/12/2018	1 191 628	108 738	1 082 890	
DBSA 10.05% 30 year	10.05%	(Electricity)13050	31/12/2010	114 497	10 448	104 049	
DBSA 15.30% 15 year	15.30%	(Sewerage)13051	31/12/2013	132 045	48 953	83 091	
ABSA	11.35%	(Sewerage)13052	31/12/2014	41 102	10 172	30 931	
ABSA	11.35%	(Municipal Buildings)			8 504	25 860	
ABSA	11.79%	13060 (Water Service)	31/12/2011	6 515	6 515	-	
ABSA	16.50%	13056 (Roads)	31/12/2011	4 748	4 748	-	
Sanlam 10% 20 year	10.00%	40513100.00% (Sewerage)	31/12/2009	(21) 241	-	(21) 241	
ABSA	11.27%	112704/101 (Water Service)	31/12/2015	301 007	54 684	246 324	
ABSA	11.27%	10502/1(12705/101) (Electricity)	31/12/2015	124 084	22 542	101 541	
DBSA 16.50% 20 year	16.50%	13343(16.50%) (Electricity (15.75%))	30/06/2020	78 864	4 402	74 462	
DBSA 15.75% 20 year	15.75%	(13705/102) Network - Elec.(15.00%)	31/12/2013	81 783	30 013	51 770	
ABSA	11.44%	(11040/102) 9.85%	31/03/2029	2 163 959	466 504	21 187 455	
DBSA - 20 year	9.85%	103313.1	31/03/2024	6 073 081	242 965	5 830 115	
DBSA - 15 year	9.97%	103313.2					
DBSA - 10 year	10.00%	103313.3	31/03/2019	927 055	80 178	846 877	
DBSA - 7 year	9.95%	103313.4	31/03/2016	3 309 668	539 503	2 770 165	
STANDARD BANK	11.67%	72480099		954 876	105 261	849 615	
STANDARD BANK	11.72%	72479881		2 926 472	181 182	2 745 290	
DBSA	11.06%	103817/3		11 199 407	174 941	11 024 466	
STANDARD BANK	12.22%	272406572		8 209 060	205 351	8 003 709	
ABSA	10.45%	406888872		3 000 000	308 656	2 691 344	
ABSA	10.79%	40-7908-8994	27/06/2027	-			
ABSA	9.42%	40-7908-9071	27/06/2019	8 400 000	11 785 121	11 785 121	
ABSA	8.25%	8259-8788	27/06/2019	385 711	8 400 000	385 711	
ABSA	8.25%	8259-9391	27/06/2019	99 627	99 627	99 627	
ABSA	8.25%	8259-9741	27/06/2019	614 662	614 662	614 662	
Total Annuity Loans				85 486 698	21 285 121	4 627 687	102 144 132

APPENDIX A - Unaudited

THEEWATERSKLOOF MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
LEASE LIABILITY							
Bizhub B250 photo copier			5 070	-	5 070	-	-
Bizhub B163 photo copier			2 849	-	2 849	-	-
Bizhub C451 photo copier			12 480	-	12 480	-	-
Bizhub B250 photo copier			4 370	-	4 370	-	-
Bizhub C203 photo copier			20 671	-	20 671	-	-
Bizhub B163 photo copier			2 849	-	2 849	-	-
25 Dell E5520 Laptops			100 000	-	1 913	98 087	-
Total Lease Liabilities			48 289	100 000	50 202	98 087	-
TOTAL EXTERNAL LOANS			105 490 285	21 385 121	7 520 217	119 265 189	

APPENDIX B - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
MUNICIPAL SUB-VOTES CLASSIFICATION

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R	2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
-	3 713 888	(3 713 888)	Admin Housing and Informal Settlements	1 530 351	3 866 861
257 452	7 060 637	(6 803 185)	Admin. : Technical Services	-	(3 866 861)
-	4 440 051	(4 440 051)	Admin: Operational Services	-	(8 185 401)
-	3 018 400	(3 018 400)	Admin: Planning and Development	-	(8 305 909)
639 568	366 293	253 275	Building Control	771 554	3 336 455
304 736	434 891	(130 165)	Cemeteries	315 857	284 600
-	368 856	(368 856)	Civil Protection & Fire Protection	-	486 954
1 721 685	14 207 440	(12 485 755)	Councillors General Expenses	1 649 238	(12 416 585)
1 074 979	7 968 716	(6 893 737)	Directorate Corporate Services	1 347 156	(11 995 382)
47 284 770	41 647 714	5 637 056	Electricity Distribution	59 412 930	(57 812)
41 427 086	13 968 825	27 458 261	Financial Services	42 886 206	875 107
228 684	1 550 948	(1 322 264)	Human Resources	639 798	10 910 405
635 156	3 719 392	(3 064 236)	IDP / LED	2 045 649	31 975 801
-	792 068	(792 058)	Information Technology	556 600	(1 405 851)
-	905 716	(905 716)	Internal Audit	-	(3 079 716)
2 900	1 815 087	(1 812 187)	Law Enforcement	-	964 631
744 378	4 408 027	(3 663 649)	Library	4 258 073	(1 419 999)
-	485 664	(485 664)	Mechanical Workshop	-	(2 151 541)
859 235	3 223 896	(2 364 661)	Municipal Manager	568 999	(2 151 541)
5 883	1 277 211	(1 271 328)	Nature reserve	-	64 275
25 129	433 420	(408 291)	Other	21 825	1 187 109
18 785	5 073 070	(5 054 275)	Parks and Recreation	(243 437)	(1 187 109)
-	170 202	(170 202)	Pollution Control	-	(259 829)
60 000	234 183	(174 883)	Proclaimed Main Roads	-	(512 005)
11 628	2 059 702	(2 088 074)	Property Management	-	(109 092)
41 133 541	1 135 222	(39 988 319)	Property Rates	-	(97 849)
13 658 959	7 108 726	6 550 233	Property Services	43 250 669	(1 667 956)
-	19 178 598	(19 178 598)	Roads	8 068 139	(1 667 956)
15 397 344	11 728 832	3 668 512	Sewerage	(1 108 279)	(39 279 624)
-	3 585 940	(3 585 940)	Sewerage Purification	16 570 100	(21 287 796)
1 303 567	2 139 308	(835 741)	Sewerage Tanker Services	-	(3 523 558)
18 522 752	21 258 036	(2 735 284)	Solid Waste	1 356 923	(1 009 903)
16 342	672 589	(656 247)	Sports Grounds	20 276 751	(4 526 014)
53 434 561	23 503 008	29 931 553	Subsidies and Grants	24 802 765	(525 187)
46 908	635 508	(589 500)	Swimming pool & Camping Site	45 879	9 442 209
424 360	2 523 819	(2 059 459)	Town Planning	55 405 532	45 963 323
3 738 751	8 247 813	(4 509 062)	Traffic Services	(14 791)	(320 282)
4 634 604	3 447 126	1 187 478	Vehicle Licensing and Testing	305 491	(2 432 394)
36 437 311	28 592 369	7 844 942	Water Distribution	291 996	(5 783 008)
284 050 164	257 161 191	26 888 973	Sub Total	3 016 984	8 799 992
-	-	-	Total	303 327 118	321 960 321
284 050 164	257 161 191	26 888 973			(18 633 203)

APPENDIX C - Unaudited

THEEWATERSKLOOF MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
3 054 116	33 676 844	(30 622 728)	Executive & Council	4 526 745	45 430 022	(40 903 277)
150 742 066	52 188 409	98 553 657	Finance & Administration	150 819 343	80 028 788	70 790 555
1 710 712	11 747 606	(10 036 894)	Planning & Development	1 620 150	11 649 717	(10 029 567)
1 049 114	4 842 918	(3 793 804)	Community & Social Services	4 573 930	4 567 467	6 463
-	3 713 888	(3 713 888)	Housing	-	3 866 861	(3 866 861)
3 766 780	10 865 176	(7 098 396)	Public Safety	3 038 809	12 108 294	(9 069 485)
87 028	7 658 378	(7 571 350)	Sport & Recreation	(212 349)	7 332 234	(7 544 583)
-	170 202	(170 202)	Environmental Protection	-	109 082	(109 082)
18 522 752	21 258 036	(2 735 284)	Waste Management	20 276 751	24 802 765	(4 526 014)
16 700 911	17 454 080	(753 169)	Waste Water Management	17 927 023	21 586 256	(3 659 233)
4 694 604	22 859 907	(18 165 303)	Road Transport	3 877 730	24 219 161	(20 341 431)
36 437 311	28 592 369	7 844 942	Water	37 466 056	37 243 937	222 119
47 284 770	41 647 714	5 637 056	Electricity	59 412 930	48 653 554	10 759 376
-	485 664	(485 664)	Other	-	362 173	(362 173)
284 050 164	257 161 191	26 898 973	Total	303 327 118	321 960 321	(18 633 203)

APPENDIX D - Unaudited

**THE EWATERSKLOOF MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 JUNE 2011		Grants Received during the year	Expenditure during the year	Balance 30 JUNE 2012			
	R	R						
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS								
National Government Grants								
Equitable Share	-	44 750 000	(44 750 000)	-	-			
EPWP	-	973 000	(1 464 372)	936 267	-			
National Electrification Program	-	1 000 000	(1 000 000)	-	-			
Municipal Infrastructure Grant	-	21 577 000	(19 549 524)	2 027 476	-			
MSIG Funds	-	1 200 000	(1 336 458)	0	-			
Finance Management Grant	136 458	1 250 000	(1 715 976)	(109 943)	-			
Neighbourhood Development Programme Grant	356 033	2 000 000	(127 272)	1 872 728	-			
Regional Bulk Infrastructure Grant (RBIG)	-	276 983	(276 983)	-	-			
Total National Government Grants	1 920 130	73 026 983	(70 220 585)	4 726 528				
Provincial Government Grants								
Spatial Development Framework	30 469	-	-	30 469	-			
Bonvivier Development Contribution	38 889	-	-	38 889	-			
CDW's	52 484	190 900	(145 238)	98 146	-			
Project Reparation	69 400	-	-	69 400	-			
Housing	(182 255)	33 290 623	(31 623 753)	1 484 615	-			
Multi Purpose Bus	62 102	-	-	62 102	-			
Main Roads Subsidy	-	2 828 000	(2 828 000)	-	-			
Library Subsidy	-	4 234 000	(4 234 000)	400 000	-			
Financial Support Grant	-	400 000	-	-	-			
Total Provincial Government Grants	71 089	40 943 523	(38 830 981)	2 183 621				
Other Grant Providers								
DBSA, GIS	23 167	-	(22 224)	943	-			
DBSA, Local Economic Development	132 142	790 488	(556 600)	366 030	-			
SETA	-	639 798	(639 798)	-	-			
Total Other Grant Providers	155 309	1 430 286	(1 218 622)	366 973				
Total	2 146 528	115 400 792	(110 270 198)	7 277 122				